

**FULL COMMITTEE MARKUP OF HR. 3866, THE
SMALL BUSINESS PROGRAMS ACT OF 2007 and
H.R. 3867, THE SMALL BUSINESS
CONTRACTING PROGRAM IMPROVEMENTS ACT**

COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF
REPRESENTATIVES

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**FULL COMMITTEE MARKUP OF HR. 3866, THE
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ACT**

Thursday, October 18, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360 Rayburn House Office Building, Hon. Nydia Velázquez [Chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Shuler, González, Larsen, Grijalva, Bean, Cuellar, Lipinski, Moore, Altmire, Braley, Clarke, Ellsworth, Johnson, Sestak, Hirono, Higgins, Chabot, Bartlett, Graves, Akin, Musgrave, Davis, Fallin, Buchanan and Jordan.

OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ

Chairwoman VELÁZQUEZ.

I am pleased to call this markup to order. In today's markup, the committee will consider two pieces of legislation. These two bills are the remaining pieces in the effort to update and modernize the programs operated by the Small Business Administration.

With these changes, the committee seeks to ensure that we are meeting the needs of our changing economy. Small businesses face many challenges in running a successful company. They are competing in a global economy where they are also faced with rising energy and health care costs.

Over the last 50 years, the SBA has helped millions of entrepreneurs overcome these types of obstacles.

The first bill that the committee will consider provides the SBA with the necessary funding to continue helping small businesses grow. This legislation expresses the intent of the committee that these programs need adequate resources to effectively meet the needs and demands of small firms.

Our second bill will modernize and update the SBA's small business contracting programs. For many years, small business owners have expressed concern that these are not working and changes need to come from Congress.

The data on federal contracting shows that these entrepreneurs are correct. It is my hope that the contracting legislation we move forward today will address some of the shortcomings.

Before we move to the consideration of these bills, I would like to yield to the ranking member, Mr. Chabot, for any opening remarks that he may have.

OPENING STATEMENT OF MR. CHABOT

Mr. CHABOT. Thank you very much, Madam Chair, and I'm going to, in my opening statement, just address both the bills that we have before us here today, and we are marking up the Small Business Contracting Improvements Act and the Small Business Programs Act of 2007 as you had indicated, the last pieces in the reauthorization puzzle.

The Chairwoman set an aggressive schedule for the committee to consider a complete reexamination of the Small Business Act and the Small Business Investment Act of 1958.

Despite this crowded schedule of hearings and markups, the Chairwoman and her staff I believe worked diligently to operate as much as possible in a bipartisan manner.

Her efforts and those of her staff have resulted in 14 bills being reported out by this committee, and all of them passing in the House with overwhelming margins.

The work of this committee has shown that despite fundamental differences, we can work together to help small businesses, and I think we would agree that is the goal of all the members of this committee. Even when there is a failure to agree, the disagreements, for the most part, are not dripping in rancor. The Chairwoman has recognized that there will be times when our fundamental philosophies will prohibit agreement. Today is one of those occasions.

I, for example, cannot support the Small Business Contracting Improvements Act of 2007, although there are some things in the bill which I strongly support. For example, the bill helps America's veterans. There are other provisions in the bill that just make it problematic and therefore I can't, in good conscience, support this particular bill.

Instead of, you know, pitting various small business owners against each other, we should expand procurement opportunities for all small businesses on an equal basis.

I do want to thank the Chairwoman for working with Congresswoman Fallin to include in the bill I think an important part of this, which is in the bill at this time, and I want to thank her for doing that, and I want to thank Congresswoman Fallin for this. I know she's been like a pit bull on this, to get this done. She's spoken to me, and I think the Chairwoman, many times on this, to make this happen. So I want to commend her for her hard work and I want to commend the Chairwoman for working with her in improving this bill. I think that is one of the good things in the bill.

The other bill that we're considering today, the Small Business Programs Act of 2007, is a highly technical bill but one of the committee's legislative obligations.

The financing programs in the Small Business Act, and Small Business Investment Act of 1958, rely on guarantees of repayment

issued by the SBA. Congress must impose limits on that authority. Now this bill adopts limits on that authority, such that the SBA will not have to impose programmatic restrictions as a result of unexpected demand for these programs.

I want to point out that supporting these limits will have no budgetary impact. In addition, the committee must provide authorization levels for the Small Business Development Center Program.

The allocation of funds to various centers is based, in part, on a comparison of funds appropriated to funds authorized. Without an authorization level, the funding formula cannot work. The other authorization levels in the bill are simply the committee's recommendations to the appropriators on what the authorizing committee believes is the most appropriate allocation of resources among the various SBA programs.

Before yielding back, I again want to thank the Chairwoman for her efforts this year. It's been a packed year for Members and staffs. As we move away from the reauthorization project, I look forward to working with the Chairwoman on, among other things, improving the procurement process for small businesses, examining ways to make the tax code beneficial to small business economic growth, and after all, small businesses are the driving force in this economy, most of the jobs created nowadays are in the small business sector, so that's very important, and reducing unnecessary regulations on small business.

And again I want to thank the Chairwoman for working with the minority on the committee, time and time again on this committee, and I yield back the balance of my time.

Chairwoman VELÁZQUEZ. Thank you, Ranking Member Chabot, and it has really been a pleasure working with you and your staff, and I think that if there has been a message, the strong message that we have sent to America is that yes, in Congress we can do, we can work, and we can allow for the deliberation of different ideas to be discussed, and that this is a committee where we have to show that we leave the ideology at the door and do what is best for American businesses, and that is to provide the tools that they need in order to flourish.

And I think that even despite our philosophical disagreements, that we have shown respect to each other, and for the flows of ideas, and input coming from both sides of the aisle.

With that, let's go to the first bill that the committee will consider, is the Small Business Program Act of 2007.

This legislation establishes the funding levels for the entrepreneurial assistance initiative for the next two years. It also provides for the necessary authority for the SBA to carry out its lending and venture capital programs.

At a hearing with stakeholders three weeks ago, it became clear that the SBA and its partners have played a vital role in assisting small businesses across this country.

The wide network of SBDCs, Women Business Centers, and SCORE, have done their best to meet the rising demand for services at a time when their budgets are being trimmed.

Despite these programs track record of success, they must be able to evolve and modernize. In the new economy, these entrepreneurial initiatives must provide technical expertise on new issues,

ranging from exporting to online sales, to identifying different avenues of capital.

These type of assistance cannot occur without the proper resources. The legislation under consideration will ensure that every entrepreneur in America has access to the technical assistance they deserve. Rural and urban areas will have centers that can provide the support for small business owners who have the drive but need help with a business plan.

The authorization bill also establishes the necessary loan levels for these programs. The SBA lending and venture capital programs have a proven track record of providing capital to successful businesses.

There is not a community that has not seen some benefit from the financing in the form of SBA loans and venture capital.

The SBA's partner-lenders have been able to provide access to capital in a time when there is a concern about the availability of credit. Increasing the loan levels for the 7(a) and 504 lending programs will come and not cause, and will prevent the situation of 2004, when there was a program shutdown.

When one talks about pro business policies, one part of the equation is providing the tools for success. As conservative columnist Cal Thomas wrote, when discussing legislation passed out of this committee earlier this year, these programs help individuals who help themselves. This legislation is a step forward in allowing the SBA and its partners to meet the rising demand for services and capital.

Just as small businesses need to adjust to changing business conditions, so do the stakeholders in assisting entrepreneurs create jobs. This legislation will provide the tools to do and to achieve that.

I urge support of the legislation and I will now yield to Mr. Chabot for any comments he may have.

Mr. CHABOT. I thank the gentlelady for yielding. The comments that I had on this particular bill I already made in my opening statement, so I will have no further comments. We do support this bill and would encourage our members to support this.

Chairwoman VELÁZQUEZ. Are there any other Members that wish to be recognized on the legislation?

The committee now moves to consideration of the bill, H.R. 3866, the Small Business Programs Act of 2007. The Clerk will report the title of the bill.

The CLERK. H.R. 3866, a bill to reauthorize certain programs under the Small Business Act for each of fiscal years 2008 and 2009.

Chairwoman VELÁZQUEZ. I ask unanimous consent that the bill, in its entirety, be open for amendments at this time. Does any Member seek recognition for the purpose of offering an amendment?

Seeing no amendments, the question is on passing and reporting the bill, H.R., 3866.

All those in favor say aye.

[Chorus of ayes]

Chairwoman VELÁZQUEZ. All those opposed, no.

The ayes have it, and H.R. 3866 is adopted and ordered reported.

The committee now will consider the second bill, the Small Business Contracting Programs Improvement Act that modernizes the SBA contracting initiatives.

Chairwoman VELÁZQUEZ. This is an important bill and one that is long overdue. Primarily, it has two main missions. To update the SBA contracting programs and to ensure that taxpayer dollars are protected.

The act makes critical changes that will open up new opportunity for small businesses. It will serve to spur entrepreneurial activity across a wide spectrum of industry and lead to a more competitive procurement marketplace, and, ultimately, a better value for our taxpayers.

This legislation has bipartisan support within this committee and includes the input from a number of Members.

I would like to give special thanks to Congresswoman Fallin, an original co-sponsor of the act, for her leadership on this bill.

The legislation will assist veterans, entrepreneurs, including those that are service-disabled. When the men and women serving our Nation in Iraq and Afghanistan return home, many hope to start a small business. This can be especially true for those injured veterans recovering at medical facilities such as Walter Reed.

Our hope is that this bill will provide the tools to start a new endeavor and begin a new life. To do this, we propose placing veteran small business owners at the top of the list for receiving federal contracts.

This will eliminate the barriers that veterans face in receiving noncompetitive contracts. We are also requiring the SBA fulfill its obligation under executive order 13360, which will give veterans access to procurement assistance.

It is important that we act on this legislation, so that all veterans can become, if they so choose, successful entrepreneurs. The 8(a) program has not been modernized in 20 years, and we will be making minimal but important steps to allow it to operate in the current business environment.

For most, the net worth standard is increased to a level consistent with inflation. This change will ensure that we do not penalize companies for success, and then wonder why they fail when they leave the program.

These provisions, while seemingly technical and without cost, will help make a great difference for program participants.

Similarly, the SBA has taken too much time to implement the women's procurement program. This bill will provide agencies with sufficient information to immediately begin competing contracts among women business owners. Women entrepreneurs have been waiting nearly seven years. They have lost tens of billions of dollars in contracting opportunities and they will not have to wait any longer.

To combat fraud and taxpayers waste, the legislation takes several steps. Safeguards and business integrity standards are incorporated, that will make sure criminals are not squandering taxpayers dollars. To better promote self-policing, any small business can challenge an individual program award.

Further steps are taken to require on-site reviews by SBA personnel to verify eligibility for the HUB Zone Program prior to a

contract award. This provision requires certification only once before a second contract award.

This is a common sense approach and is sorely needed, as SBA has been aware of programs in this area for at least four years.

The legislation also takes steps to extend the Rise SBA contracting programs. All procurement initiatives will have both prime and subcontracting goals. Each program that has noncompetitive contracts as benefit will have the same threshold, increased and indexed for inflation.

This will ensure contractors, including service-disabled veterans, have access to higher dollar contracts.

Finally, the legislation will assist small businesses in the temporary staffing industry. I would like to thank Representative Fallin for continuing to work with the committee and her leadership on this important issue.

Together, these changes bring SBA contracting initiatives into the 21st Century, by raising the profile of veteran entrepreneurs and rooting out fraud and taxpayers waste in SBA contracting programs.

There is remarkably broad support on this leg ranging from the National Black Chamber of Commerce to the National Federation of Independent Business, and the Associated General Contractors of America.

Also supporting the legislation are the American Legion, the Veterans of Foreign Wars, and AMVETS, the United States Hispanic Chamber of Commerce, the U.S. Women's Chamber of Commerce, and the National Defense Industrial Association, also support this bill.

Again I would like to thank Ranking Member Chabot and his staff for working with us on these challenging issues.

While we do not see eye to eye on all these changes, I believe that this legislation has benefited from your input and counsel along the way. I hope that we can work through our differences of this legislation as we move forward, and now I would yield to Mr. Chabot.

Mr. CHABOT. Thank you, Madam Chair. I made most of my points in my opening statement originally. We just have some philosophical differences which I have already expressed somewhat. So rather than take up the time, I know we have votes on the floor, and a couple other Members I think want to make opening statements, I will just yield back. Thank you.

Chairwoman VELÁZQUEZ. Are there any other Members who wish to make an opening statement?

Ms. FALLIN. Madam Chair.

Chairwoman VELÁZQUEZ. Yes. Ms. Fallin, we have like two minutes now. We can come back. We are going to recess and then come back right after the vote.

Ms. FALLIN. Whichever you would like to do. Mine is brief.

Chairwoman VELÁZQUEZ. Let's recess, and then when we come back, I will give you an opportunity to make an opening statement.

[Recess.]

Chairwoman VELÁZQUEZ. The committee is called to order. Are there any other Members that wish to be recognized on this legislation?

Mr. Braley

Mr. BRALEY. Thank you, Madam Chairwoman .

OPENING STATEMENT OF MR. BRALEY

I will not make my complete opening statement which I have submitted for the record, but I would just like to point out the importance of the Small Business Contracting Improvement Act, in conjunction with the bill we earlier reported out of this committee, the Small Business Fairness In Contracting Act, which passed on the House Floor on May 10th by an overwhelming bipartisan vote of 409 to 13, which raised the small business federal contracting goal from 23 percent to 30 percent.

This means that all of the programs included in the Small Business Contracting Improvements Act will have greater opportunities to compete for federal contracts, and that's why I support the bill. I yield back the balance of my time.

Chairwoman VELÁZQUEZ. Thank you. Are there any other Members that wish to be recognized on this legislation?

Ms. FALLIN. Madam Chair, I would like to be recognized.

Chairwoman VELÁZQUEZ.

Ms. Fallin is recognized for five minutes.

OPENING STATEMENT OF MS. FALLIN

Ms. FALLIN. Thank you, Madam Chair, and I would like to just first of all, thank you and your staff for the opportunity to work with you on this legislation and to address some issues that are important to the small business owners of my state, and will actually affect small business owners across our Nation as it deals with Federal Government contracting.

And I would also like to thank our Ranking Member, Mr. Chabot, who has had many conversations over the past month, and his staff, especially Barry, for working with me on some language that, as I said, has been important to some companies in my state, and will affect many businesses throughout our Nation, and thank you so much. And I have deep respect for our Ranking Member and appreciate his interest in helping me with my particular concern.

I am also very pleased that we are having this markup today as it will update many important small business programs, including service for the disabled veterans and the HUB Zone programs. Small business programs such as these go a long ways towards helping our struggling small business owners succeed as well as fostering real long-term economic growth in our communities and helping to create jobs.

I want to thank both, as I said, the majority and the minority staff on our Small Business Committee, who have worked with me in helping to craft language in this bill, and your willingness to help me to resolve some difficult issues that affect my district, and Madam Chair, I just urge my colleagues for their support of this bill.

Chairwoman VELÁZQUEZ. Are there any other Members that wish to be recognized on the legislation?

The committee now moves to consideration of the bill, H.R. 3867, the Small Business Contracting Program Improvements Act.

The Clerk will report the title of the bill.

The CLERK. H.R. 3867, a bill to update and expand the procurement programs of the Small Business Administration, and for other purposes.

Chairwoman VELÁZQUEZ. I ask unanimous consent that the bill, in its entirety, be open for amendments at this time.

Does any Member seek recognition for the purpose of offering an amendment?

The gentleman is recognized.

Mr. AKIN. Thank you, Madam Chair.

I come with—

Chairwoman VELÁZQUEZ. Does the gentleman have an amendment?

Mr. AKIN. Yes, I have an amendment, and it's—let's see—it just says Section 501 amendment.

Chairwoman VELÁZQUEZ. Okay. The Clerk will report the amendment.

The CLERK. Amendment offered by Mr. Akin of Missouri, to strike Section 501.

Chairwoman VELÁZQUEZ. I ask unanimous consent that the amendment be considered as read. Without objection, so ordered.

The gentleman is recognized for five minutes on your amendment.

Mr. AKIN. Thank you, Madam Chair.

It is a little bit of an odd situation I find myself in, Madam Chair. This amendment is not one that, actually, the way it is drafted, I would particularly support. The way the bill is drafted, I don't support that either, and let me explain the concern that I have and would just ask maybe we could work on this problem together.

The concern I have is that you have a certain number of these different contracts in the 8(a) program, and there is competition for the various businesses that want to get those contracts, and the way the bill was set up originally, there is a limitation of \$250,000 that would be—that if you have more than that, then you are not economically disadvantaged.

Now that 250,000 hasn't changed in 30 years, and so in that regard, I think that it is important that we update it, and so I agree with the bill and my amendment basically takes it back to where it currently is, at 250,000.

It seems to me, Madam Chair, that there is a little bit of a tension here, and that is, if you increase the number of people who can apply for the 8(a) programs, and you have a limited number of those contracts already, what is going to happen is that it is going to be harder and harder for people to get those, and a lot of larger businesses that are much more stable, that don't have to have them, may get different grants that the smaller businesses cannot get.

So what my suggestion would be, to try to work up a mechanism of a sliding scale, so as the business becomes stronger, it has more assets in the business, the owner of the business becomes stronger economically, that they are limited to the number of these contracts they can get, and it's a sliding scale. So the poorer businesses, the ones that are just starting, can get as many as they can

get, whereas as the business gets bigger, we reduce the number of those 8(a) programs that we could do.

Chairwoman VELÁZQUEZ. Is the gentleman—

Unknown Speaker: Yes.

Mr. AKIN. So—

Chairwoman VELÁZQUEZ. Okay.

Mr. AKIN. So, in other words, my concern is this could go the way we did the same kind a thing with blighted land some years ago. We said well, if you are in an inner city, some of the land can be blighted and therefore the local government can set it up for eminent domain and this land—well, what happened is we got land out in our area that is going for a couple million bucks an acre and it is blighted. An awful lot of us wish we had some of that blighted land too but the program has expanded way beyond what it was originally intended to do.

My concern is if we go in this trajectory, we expand 8(a) in the same way, and it loses its effectiveness in helping the smallest businesses.

So I don't have the mechanism to how to create that sliding scale but that's what I would just, would ask the Chairwoman, if she would work with us, at least see if there's a practical way to do that.

Chairwoman VELÁZQUEZ. Yes. I would like to work with the gentleman before we report, bring this legislation to the Floor. I want for the record to reflect some of the comments that I have on your amendment, and this is very important because what your amendment does, it strikes the language in the bill that modifies the net work limitation for the SBA's 8(a) program.

And the language in the bill provides an inflationary adjustment and removes a burdensome restriction that this committee, under Republican leadership, eliminated for other SBA programs.

Even though the economy has changed dramatically, the net work limitation on business owners has not been increased since 1988. Then a gallon of gas was 91 cents. Now it is \$2.76. The average price of a new home was \$89,300. Now it is nearly triple that.

In 1988, a Ford F150 truck was around \$13,000. In 2007 is at least \$30,000. Basically, Mr. Akin wants minority businesses to operate under the economic and financial structure of 1988, when, in fact, today's economy bears little resemblance to it.

We need to give businesses the tools they need, and Mr. Akin's amendment simply takes them away. His amendment will penalize companies for success. We want companies to grow, to borrow more money, to get stronger and to hire more employees. But if this amendment is adopted, we prevent these businesses from doing so and we are simply setting them to fail.

What we need in this legislation is what the SBA administrator included in his testimony. The administrator stated that adjusted for inflation, the net work should be \$550,000, and that is what we have done in this bill.

We have merely adjusted the 8(a) net worth at the program's entry point to \$550,000, consistent with increases inflation. You probably never thought you will hear me say this, but even the previous chairman thought this type of standard should be changed.

In 2003, when the Republicans controlled this committee, we unanimously passed legislation that lifted the net worth cap on the HUB Zone Program.

The gentleman from Missouri was on this committee then and did not object. Why, in 2003, did the gentleman from Missouri support lifting the restriction completely but today he's concerned with a much more measured move.

In the committee report from 2003, the Republican chairman stated that, and I quote: "Success is penalized due to a finding that the program participant is no longer economically disadvantaged. Thus the only businesses that remain in the program are those that are not very successful. In the committee's view, this single change will dramatically improve the success rate of the program."

That was what the chairman said then, it was true then, and it is true today.

For the very same reasons that existed in 2003, we should be allowing these firms to operate in the same way that other small businesses are able to.

No other small business program has the type of stringent requirement. None of the companies, no service-disabled veterans, no women procurement program. If we want businesses to be successful, we need to update this program, and for that reason I object and I oppose this amendment.

Mr. BARTLETT. Madam Chair.

Chairwoman VELÁZQUEZ. Yes. I recognize the gentleman.

Mr. BARTLETT. It is kind of interesting. If you have a personal net worth of \$550,000, plus the kind of a home that would go with that, plus the assets of your business, you are a millionaire. And it is kind of interesting. That speaks, I think, to an enormous devaluation of the dollar, that we now have millionaires who are disadvantaged. It is just a comment on our time, I think.

Chairwoman VELÁZQUEZ. Would the gentleman yield. Yes. Would the gentleman yield. This is the only program to have a net worth. We don't require for the HUB Zone and we don't require for service-disabled veterans. We require it for the 8(a) program.

What the SBA administrator stated here, when he came before this committee and testified, said that it should be adjusted for inflationary indexes, and that is exactly what we are doing. What we are doing is minimum changes to the restriction.

Mr. BARTLETT. I think that is true but it is just interesting that we now are defining a millionaire who is disadvantaged, who needs special treatment in the marketplace. Interesting, isn't it?

Chairwoman VELÁZQUEZ. Mr. Akin.

Mr. AKIN. Madam Chair, as I said in my opening comment, I am not really kicking about the change from 250 to 550. My concern is more of a mathematical one, and that is that people qualify for this all the way up to a certain point, and then they mathematically just fall off a cliff, and now you don't qualify. And it seems like to me what we want to do is to take the weakest and the smallest and the beginning companies, give them the maximum benefit, and then as the companies grow and the people prosper, the assets of the organization get bigger, that what we want to do is to wean them off of these contracts on a gradual basis where they can be competitive in all kinds of other contracts.

So I am really asking, instead of just having a square corner or a cliff where you fall off, I am just talking about trying to set it up as a sliding scale, because what is going to happen is every time somebody gets to the edge of the cliff, they are going to be back here saying we will just bump it up a little bit more instead of if we just sort of taper off the number of contracts that they can—as they get bigger and stronger, we just drop the number that they are eligible for.

And I don't know if we can do that practically, but Madam Chair, I would withdraw the amendment. Thank you.

Chairwoman VELÁZQUEZ. And as I offered to you, we will work before we go to the Floor.

Mr. CHABOT. Madam Chair.

Chairwoman VELÁZQUEZ. Yes, sir.

Mr. CHABOT. I will be very brief, and in light of the fact that the gentleman from Missouri has already withdrawn the amendment, there is no sense to go into great detail, but I would just note for the record that when the chair mentions the previous statement by the previous chair, the chair is not talking about this Ranking Member.

Chairwoman VELÁZQUEZ. Oh. You know that I love you.

Mr. CHABOT. I am not going to touch that.

[Laughter.]

Chairwoman VELÁZQUEZ. You are already blushing, so we know. So, without objection, your amendment is withdrawn.

Are there any other amendments to the bill?

Mr. Bartlett.

Mr. BARTLETT. Madam Chair, I have an amendment at the desk relative to Section 101.

Chairwoman VELÁZQUEZ. The Clerk will report the amendment.

The CLERK. Offered by Mr. Bartlett of Maryland to in Section 101, strike subsection B.

Chairwoman VELÁZQUEZ. I ask unanimous consent that the amendment be considered as read. Without objection, so ordered. The gentleman is recognized for five minutes on his amendment.

Mr. BARTLETT. Okay. Well, the amendment is very simple. It simply says strike subsection B in Section 101. Madam Chair, this gets down to a single word, which is what this subsection is about.

If you look at our agencies, which all have goals for a number of different small business groups, the group that probably has the most difficulty of reaching the goal is the Hub Zone group, and one of the requirements is that where there are two HUB Zone companies that could perform, then that contract has to be competed between these two HUB Zones.

The bill which is before us, subsection B, what it really does is to strike the word “shall” and change it to “may.” What this would do is to permit a contracting officer who is used to dealing with Joe and some other small business category, to just ignore the fact that there are two Hub Zones there, which I think is the small business category which has the most trouble of meeting the goals, that he could just ignore the fact that it could be competed because the legislation would say may rather than shall.

I think and I think most Americans agree that the quality and the quantity of the performance of a contract goes up when you have competition.

I just think that this moves us in the wrong direction, in two ways. One, it denies the benefits that the taxpayer gets from competition and two, it makes it more difficult to meet our goals for the Hub Zone category.

Chairwoman VELÁZQUEZ. I rise in opposition to this amendment. This amendment strikes the language in the bill that makes the Hub Zone Program a discretionary program rather than a mandatory one.

What we are doing today is giving the agencies discretion by changing to "may" rather than "shall." But also I just want for my Members here to know that this amendment will disrupt the carefully crafted underlying agreement that we have reached.

This agreement has a more diverse group of supporters than any piece of legislation this committee has acted upon.

Currently supporters include the Associated General Contractors, the National Federation of Independent Business, the American Legion, the Veterans of Foreign Wars, AMVETS, the National Black Chamber of Commerce, the U.S. Women's Chamber of Commerce, the Aerospace Industry Association, and the National Defense Industrial Association.

This amendment will also give the highest contracting standard for competitive contracts to the HUB Zone Program, a program that the Small Business Administration Inspector General has raised serious concern about. Congress must be mindful of providing contracting priorities over other small business when the beneficiaries of those preferences are likely not eligible for them.

In fact the American Legion sent a letter, and I want to read.

"We steadfastly oppose any amendments to alter these legislation provisions that assist veterans-owned businesses in Section 101."

With that, I ask my colleagues to defeat this amendment.

Does any other Member seek recognition?

Yes—

Mr. BARTLETT. Madam Chair, I would just like to note that your comments made my point, and that is it gives discretion to the contracting officer to award sole source, avoiding the benefits that accrue to the taxpayer by competition.

Chairwoman VELÁZQUEZ. Mr. Altmire is recognized for five minutes.

Mr. ALTMIRE. Thank you, Madam Chair, and I know that my friend from Maryland is well-meaning in this amendment but a consequence, probably unintended of this, is the amendment is going to strike the portion of the bill that gives priority to veterans that receive contracts, and anyone who has worked with me on this committee knows what a priority I place on giving veterans increased access to small business programs, and with Federal Government providing less than 1 percent of contracts to service-disabled veterans, this provision is necessary to ensure that veterans are continually made a priority.

As our veteran population grows, it is vital for the Federal Government to improve the environment for veteran entrepreneurs by providing them with contracting opportunities. This amendment

does the exact opposite. The amendment that has been offered would negatively impact the ability for these veteran-owned businesses to get contracts, and I know this because I have been contacted by the American Legion, the VFW, and AMVETS, all of which oppose this amendment and support the bill as is.

I yield back my time.

Mr. BARTLETT. Madam Chair, I would just like to note that I am one of the strongest supporters of veterans in the Congress. I serve on the Armed Services Committee. I am informed that this does not change the veterans preference and in no way diminishes their opportunities for contracting.

Chairwoman VELÁZQUEZ. I will invite the gentleman to read the letter that I was sent by the American Legion and the other veteran's group. They support, strongly, Section 101, and they really oppose any alteration to—

Mr. BARTLETT. Madam Chair, I suspect that they have erroneously been led to believe that my amendment would change their priorities and I am told it does not.

Chairwoman VELÁZQUEZ. I believe that they can read, I believe they can read English, and they understand the agreement that has been reached, where we are going to have the 8(a), and the veterans, disabled service veterans, and then as a preference program, any other programs.

Any other Member who seeks recognition on the amendment?

Ms. MOORE. Thank you, Madam Chair.

I just want to point out that currently, we are not even providing 1 percent of the contracts to service-disabled veterans, and so I think that an amendment that would even suggest that we not give priority to veterans would have a chilling impact, given our egregious, abysmal record on providing access to the program for veterans now.

Chairwoman VELÁZQUEZ. Any other Member who seeks recognition on this amendment?

The committee now—the question is on the amendment. All those in favor say aye.

All those against say no.

The noes have it.

Mr. BARTLETT. Madam Chair, I would just like to note that I do not believe that my amendment—I think that I should have to verify that, and I would like, rather than delay the recorded vote, I would like a show of hands so the record will show what the vote was. Just have a show of hands...

Chairwoman VELÁZQUEZ. Do you want a vote on this amendment?

Mr. BARTLETT. Show of hands.

Chairwoman VELÁZQUEZ. No. We will go for the roll call. Do you want a roll call?

Mr. BARTLETT. What I would like is for the record to show that Roscoe Bartlett did not capitulate without a fight.

[Laughter]

Chairwoman VELÁZQUEZ. Let's have a roll call.

The Clerk will call the vote.

The CLERK. Ms. Velázquez.

Chairwoman VELÁZQUEZ. No.

The CLERK. Ms. Velázquez votes no.
 Mr. Shuler.
 Mr. SHULER. No.
 The CLERK. Mr. Shuler votes no.
 Mr. González.
 Mr. GONZÁLEZ. No.
 The CLERK. Mr. González votes no.
 Mr. Larson.
 Mr. LARSON. No.
 The CLERK. Mr. Larson votes no.
 Mr. Grijalva.
 Mr. GRIJALVA. No.
 The CLERK. Mr. Grijalva votes no.
 Mr. Michaud.
 Ms. Bean.
 Ms. BEAN. No.
 The CLERK. Ms. Bean votes no.
 Mr. Cuellar.
 Mr. CUELLAR. No. Chairwoman .
 The CLERK. Mr. Cuellar votes no.
 Mr. Lipinski.
 Mr. LIPINSKI. No.
 The CLERK. Mr. Lipinski votes no.
 Ms. Moore.
 Ms. MOORE. No.
 The CLERK. Ms. Moore votes no.
 Mr. Altmire.
 Mr. ALTMIRE. No.
 The CLERK. Mr. Altmire votes no.
 Mr. Braley.
 Ms. Clarke.
 Ms. CLARKE. No.
 The CLERK. Ms. Clarke votes no.
 Mr. Ellsworth.
 Mr. ELLSWORTH. No.
 Chairwoman VELÁZQUEZ. Mr. Ellsworth votes no.
 Mr. Johnson.
 Mr. JOHNSON. No.
 The CLERK. Mr. Johnson votes no.
 Mr. Sestak.
 Mr. SESTAK. No.
 The CLERK. Mr. Sestak votes no.
 Ms. Hirono.
 Ms. HIRONO. No.
 The CLERK. Ms. Hirono votes no.
 Mr. Higgins.
 Mr. Chabot.
 Mr. CHABOT. Yes.
 The CLERK. Mr. Chabot votes yes.
 Mr. Bartlett.
 Mr. BARTLETT. Yes.
 The CLERK. Mr. Bartlett votes yes.
 Mr. Graves.
 Mr. GRAVES. Yes.

The CLERK. Mr. Graves votes yes.
 Mr. Akin.
 Mr. Shuster.
 Ms. Musgrave.
 Ms. MUSGRAVE. Yes.
 The CLERK. Ms. Musgrave votes yes.
 Mr. King.
 Mr. Fortenberry.
 Mr. Westmoreland.
 Mr. Gohmert.
 Mr. Heller.
 Mr. Davis.
 Mr. DAVIS. Yes.
 The CLERK. Mr. Davis votes yes.
 Ms. Fallin.
 Ms. FALLIN. Yes.
 The CLERK. Ms. Fallin votes yes.
 Mr. Buchanan.
 Mr. BUCHANAN. Yes.
 The CLERK. Mr. Buchanan votes yes.
 Mr. Jordan.
 Mr. JORDAN. Yes.
 The CLERK. Mr. Jordan votes yes.
 Mr. Braley.
 Mr. BRALEY. No.
 The CLERK. Mr. Braley votes no.
 Chairwoman VELÁZQUEZ. Are there any other Member who has not been recorded?
 The Clerk will report the vote.
 The CLERK. The vote is 16 noes, eight yeas.
 Chairwoman VELÁZQUEZ. The notes have it and the amendment has been defeated.
 Mr. CHABOT. Madam Chair.
 Chairwoman VELÁZQUEZ. Yes.
 Mr. CHABOT. I ask unanimous consent to speak out of order for just a moment.
 Chairwoman VELÁZQUEZ. Sure.
 Mr. CHABOT. Thank you. Again, in the interest of not dragging this out any longer than is necessary, I'm only going to speak when I think it is particularly necessary, and I think Mr. Bartlett's amendment, for those who voted yes, I just want to reiterate the point of view of those Members, that we still consider that veterans would still get sole source authority under 101(a). I know there is some dispute about that and some groups that believe that that's not accurate.
 But I think there is no one, as Mr. Bartlett said, who I think defends veterans on a daily basis than Mr. Bartlett, and I think those of us who agree with him agree on that.
 Chairwoman VELÁZQUEZ. Would the gentleman yield. Would the gentleman yield.
 Mr. CHABOT. I would be happy to yield.
 Chairwoman VELÁZQUEZ. Well, two things. For once, the number don't lie. Veterans have gotten less than 1 percent in contracting opportunities with the Federal Government. Two, we held the hear-

ings and veteran groups were here. They strongly supported it and they explained the obstacle that they had been facing in trying to access the federal marketplace and that is why we are striking this balance today.

Mr. CHABOT. And again, reclaiming my time, I appreciate the Chairwoman's comments, but still, I just want to make the point that I think those of us that voted in the way that we did are doing the best we can to look out for veterans and we think the minority is as well. There is just a difference of opinion here and I would yield back.

Chairwoman VELÁZQUEZ. Thank you. Yes, sir. The gentleman is recognized.

Mr. SESTAK. If I just might say, having testified as part of the military before Mr. Bartlett, and having numerous conversations when I was there before him, and now having worked on the House Armed Services Committee, there is no one who has been in stronger support of our military, our veterans, and I understand the difference of opinion here but I needed to say that.

But I am glad this one passed, because if I might, just one moment, back in World War II, 182 days, on average, every soldier spent in combat. In this war, our soldiers over there in Iraq spend every day in combat for 15 months. So we are going to see more disabled come back, particularly with PTSD, and I know you support that. It is just a difference of opinion, but since I am on the other side of this debate on facts, but I do know you support it. Thank you very much.

Chairwoman VELÁZQUEZ. Would the gentleman yield. Would the gentleman yield.

Mr. SESTAK. Yield.

Chairwoman VELÁZQUEZ. It is clear to this committee and this Chairwoman, that we are not questioning here your support to veterans. But what we are questioning here is the ability of veterans to be able to access the federal marketplace, and that is what we are doing.

In the interest of moving this along, since we are going to have a vote coming up, are there any other Members who seek recognition for the purpose of offering an amendment?

Mr. BARTLETT. Madam Chair.

Chairwoman VELÁZQUEZ. Mr. Bartlett.

Mr. BARTLETT. I have an amendment at the desk on Section 201, which I will withdraw, if you can convince me that in fact we need the amendment. I mean we need the bill.

Chairwoman VELÁZQUEZ. The Clerk will report the amendment.

The CLERK. Amendment offered by Mr. Bartlett of Maryland to strike Section 201.

Chairwoman VELÁZQUEZ. I ask unanimous consent that the amendment be considered as read. Without objection, so ordered.

The gentleman is recognized for five minutes.

Mr. BARTLETT. Thank you very much and I will be very brief.

The amendment is very simple. It says simple strike Section 201. What Section 201 does is require a background check, a business integrity check for all small business programs. I believe that the FAR 9.104 does exactly that, and if it does that, then why do we need this bill language? If you can convince me that FAR 109.4

does not accomplish what this bill language accomplishes, then I will withdraw my amendment.

Chairwoman VELÁZQUEZ. It does it for other agencies but not for SBA program. We require background checks for other programs. We do not do it for this program. And you were here when the Inspector General of the SBA released a report on the Hub Zone programs, on fraud and waste, and I think that all of us should be for protecting taxpayers money and against waste and fraud, and that is exactly what we are doing with this language.

Mr. BARTLETT. Two things, Madam Chair. First of all, in nine years of the Hub Zone Program, there has been no prosecution, not one. There has been not one case referred for prosecution. There has been no investigation by an official government agency of any fraud. There have been a lot of “sour grapes” and allegations of fraud, but the three things that I stated are a fact. It is my understanding that our government contracting officers cannot award any contract without doing a business integrity check. Is that not true?

And if that is true, then why do we need this bill language?

Chairwoman VELÁZQUEZ. Because we have it for other agencies. We don’t have it for the SBA programs, and that is what we are doing here.

Mr. BARTLETT. Okay. What you are saying is that other agencies, in spite of the FAR, we have legislation that says—

Chairwoman VELÁZQUEZ. They require—

Mr. BARTLETT. That require background checks. Okay. Because they are doing something dumb, that means we are going to do it too?

Chairwoman VELÁZQUEZ. Well, we have—

Mr. BARTLETT. I withdraw my amendment.

Chairwoman VELÁZQUEZ. Okay. The gentleman withdrew his amendment.

Are there any other amendments? Does any other Member—

Mr. BARTLETT. Madam Chair, I have one additional amendment and I just—I will withdraw the amendment but I just want to make a point. In our bill we extend the 8(a) program from nine years to ten years. I just was reflecting on that. That is the amount of time that it takes from the time you graduate from high school to get a PhD from Carnegie Mellon. My son just did that.

And, you know, if you can’t, in the time it takes to graduate from high school and get a degree from Carnegie Mellon in chemical engineering, you know, if you can’t be standing on your feet in nine years, I am not sure adding one more year is going to make much difference.

Chairwoman VELÁZQUEZ. Let me just say, sir, that when it comes to the Hub Zone Program, it allows the company to be approved for three years at a time, indefinitely, as long as the business meets the basic eligibility requirements. Both service-disabled veterans and women entrepreneurs will be able to get contracts with the respective program’s benefit until they are no longer small.

What we are saying is let’s extend—and you were part of all the hearings that were conducted here—to say nine years is not enough. It takes at least 18 months, once a company gets into the

8(a) program, to learn the “nuts and bolts” of the federal marketplace.

So it is not enough for these people to be able to grow their business within the nine years. What does it make—what a difference a year will make. You know, we should be in the business, this committee, to provide the tools that will enable all these businesses to expand and grow because they are the ones creating jobs in our country, and every witness who came before this committee testified that nine years was not enough.

Mr. BARTLETT. The 8(a) program is obviously a very unique program. It is intended to provide sole source contracts to firms that couldn't get a contract in the competitive world, and the original legislation thought that nine years was adequate time.

I am just reflecting, Madam Chair, that when my young son was a high school senior, and he had nine years to go to college and get his five year doctorate, that, you know, that ought to be enough time for a business to mature if it is enough time for my kid to mature. I am not going to bring the amendment to a vote but I just don't see any difference between 10 years and nine years.

If we really want to make a difference, let's make it 12 years.

Chairwoman VELÁZQUEZ. Oh, if you want to do it, make an amendment.

Mr. BARTLETT. I withdraw my amendment.

Chairwoman VELÁZQUEZ. I ask unanimous consent to amend your amendment.

Mr. BARTLETT. I object.

Chairwoman VELÁZQUEZ. Mr. Sestak.

Mr. SESTAK. My only comment on this was when this original bill was implemented, I mean some company was obviously in Philadelphia competing with someone in Arkansas. But the whole globalization of the world and the bill that we just recently passed to help small businesses with a new strategy to approach the export world, that they're now competing with Shanghai, I think another year can help since the dynamics have truly changed in the competition that is out there, since it's a vastly more globalized world than when this was originally instituted. Thank you. I yield back the balance of my time.

Chairwoman VELÁZQUEZ. I am going to ask unanimous consent to withdraw his amendment.

Any other Member wants to introduce an amendment, who seeks recognition for the purpose of an amendment?

Seeing no further amendments, the question is on passing and reporting the bill, as amended, H.R. 3867.

All those in favor say aye. Aye.

All those opposed no.

The ayes have it.

On that I request a recorded vote and the Clerk will call the vote.

The CLERK. Ms. Velázquez.

Ms. VELÁZQUEZ. Aye.

The CLERK. Mr. Shuler.

Mr. SHULER. Aye.

The CLERK. Mr. Shuler votes aye.

Mr. González.

Mr. GONZÁLEZ. Aye.
 The CLERK. Mr. González votes aye.
 Mr. Larsen.
 Mr. LARSEN. Aye.
 The CLERK. Mr. Larsen votes aye.
 Mr. Grijalva.
 Mr. GRIJALVA. Aye.
 The CLERK. Mr. Grijalva votes aye.
 Mr. Michaud.
 Ms. Bean.
 Ms. BEAN. Aye.
 The CLERK. Ms. Bean votes aye.
 Mr. Cuellar.
 Mr. CUELLAR. Aye.
 The CLERK. Mr. Cuellar votes aye.
 Mr. Lipinski.
 Mr. LIPINSKI. Aye.
 The CLERK. Mr. Lipinski votes aye.
 Ms. Moore.
 Ms. MOORE. Aye.
 The CLERK. Ms. Moore votes aye.
 Mr. Altmire.
 Mr. ALTMIRE. Aye.
 The CLERK. Mr. Altmire votes aye.
 Mr. Braley.
 Ms. Clarke.
 Ms. CLARKE. Aye.
 The CLERK. Ms. Clarke votes aye.
 Mr. Ellsworth.
 Mr. ELLSWORTH. Aye.
 The CLERK. Mr. Ellsworth votes aye.
 Mr. Johnson.
 Mr. JOHNSON. Aye.
 The CLERK. Mr. Johnson votes aye.
 Mr. Sestak.
 Mr. SESTAK. Aye.
 The CLERK. Ms. Sestak votes aye.
 Ms. Hirono.
 Ms. HIRONO. Aye.
 The CLERK. Ms. Hirono votes aye.
 Mr. Higgins.
 Mr. HIGGINS. Aye.
 The CLERK. Mr. Higgins votes aye.
 Mr. Chabot.
 Mr. CHABOT. No.
 The CLERK. Mr. Chabot votes no.
 Mr. Bartlett.
 Mr. BARTLETT. No.
 The CLERK. Mr. Bartlett votes no.
 Mr. Graves.
 Mr. GRAVES. Aye.
 The CLERK. Mr. Graves votes aye.
 Mr. Akin.
 Mr. Shuster.

Ms. Musgrave.
 Ms. MUSGRAVE. No.
 The CLERK. Ms. Musgrave votes no.
 Mr. King.
 Mr. Fortenberry.
 Mr. Westmoreland.
 Mr. Gohmert.
 Mr. Heller.
 Mr. Davis.

Mr. DAVIS. Aye.
 The CLERK. Mr. Davis votes aye.

Ms. Fallin.
 Ms. FALLIN. Aye.
 The CLERK. Ms. Fallin votes aye.

Mr. Buchanan.
 Mr. BUCHANAN. Aye.
 The CLERK. Mr. Buchanan votes aye.

Mr. Jordan.
 Mr. JORDAN. No.
 The CLERK. Mr. Jordan votes no.

Mr. Braley.
 Mr. BRALEY. Aye.
 The CLERK. Mr. Braley votes aye.

Madam Chair.

Chairwoman VELÁZQUEZ. The Clerk will report the vote.

The CLERK. With that, there are 21 yes and four no votes.

Chairwoman VELÁZQUEZ. The ayes have it. H.R. 3867 is adopted and ordered reported as amended. Thank you.

I ask unanimous consent that the committee be authorized to correct section numbers, punctuation, and cross-references and to be make all the necessary technical and confirming corrections on the bills considered today.

Without objection, so ordered. This markup is now adjourned.

[Whereupon, at 11:28 a.m., the committee was adjourned, subject to the call of the chair.]

STATEMENT
of the
Honorable Nydia M. Velázquez, Chair
House Committee on Small Business
Markup of H.R. 3866, Small Business Programs Act of 2007

This legislation establishes the funding levels for the entrepreneurial assistance initiatives for the next two years. It also provides for the necessary authority for the SBA to carry out its lending and venture capital programs.

At a hearing with stakeholders three weeks ago, it became clear that the SBA and its partners have played a vital role in assisting small businesses across this country. The wide network of SBDCs, Women Business Centers, and SCORE have done their best to meet the rising demand for services at a time when their budgets are being trimmed.

Despite these programs track record of success, they must be able to evolve and modernize. In the new economy, these entrepreneurial initiatives must provide technical expertise on new issues ranging from exporting to online sales to identifying different avenues of capital. This type of assistance cannot occur without the proper resources.

The legislation under consideration will ensure that every entrepreneur in America has access to the technical assistance they deserve. Rural and urban areas will have centers that can provide the support for small business owners who have the drive, but need help with a business plan.

The authorization bill also establishes the necessary loan levels for these programs. The SBA lending and venture capital programs have a proven track record of providing capital to successful businesses. There is not a community that has not seen some benefit from the financing in the form of SBA loans and venture capital.

The SBA's partner lenders have been able to provide access to capital in a time when there is a concern about the availability of credit. Increasing the loan levels for the 7(a) and 504 lending programs will come at no cost and will prevent the situation of 2004 when there was a program shutdown.

When one talks about pro-business policies, one part of the equation is providing the tools for success. As conservative columnist Cal Thomas wrote when discussing legislation passed out of this committee earlier this year, "these programs help individuals who help themselves."

This legislation is a step forward in allowing the SBA and its partners to meet the rising demand for services and capital. Just as small businesses need to adjust to changing business conditions, so do these stakeholders in assisting entrepreneurs create jobs. This legislation will provide the tools to do achieve that.

STATEMENT
of the
Honorable Nydia M. Velázquez, Chair
House Committee on Small Business
Markup of H.R. 3867, Small Business Contracting Program Improvements Act

This is an important bill – and one that is long overdue. Primarily, it has two main missions – to update the SBA’s contracting programs and to ensure that taxpayer dollars are protected.

The Act makes critical changes that will open up new opportunities for small businesses. It will serve to spur entrepreneurial activity across a wide spectrum of industries and lead to a more competitive procurement marketplace and ultimately a better value for our taxpayers.

This legislation has bipartisan support within this committee and includes the input from a number of Members. I would like to give special thanks to Congresswoman Fallin, an original co-sponsor of the Act, for her leadership on this bill.

The legislation will assist veteran entrepreneurs – including those that are service-disabled. When the men and women serving our nation in Iraq and Afghanistan return home, many hope to start a small business. This can be especially true for those injured veterans recovering at medical facilities such as Walter Reed. Our hope is that this bill will provide the tools to start a new endeavor and begin a new life.

To do this, we propose placing veteran small business owners at the top of the list for receiving federal contracts. This will eliminate the barriers that veterans face in receiving non-competitive contracts.

We are also requiring the SBA fulfill its obligations under Executive Order 13360 – which will give veterans access to procurement assistance. It is important that we act on this legislation so that all veterans can become – if they so choose – successful entrepreneurs.

The 8(a) program has not been modernized in 20 years and we will be taking minimal – but important – steps to allow it to operate in the current business environment. Foremost, the net worth standard is increased to a level consistent with inflation. This change will ensure that we do not penalize companies for success, and then wonder why they fail when they leave the program. These provisions – while seemingly technical and without cost – will have make a great difference for program participants.

Similarly, SBA has taken too much time to implement the Women's Procurement Program. This bill will provide agencies will sufficient information to immediately begin competing contracts among women business owners. Women entrepreneurs have been waiting nearly seven years for this – they have lost tens of billions of dollars in contracting opportunities – and they will not have to wait any longer.

To combat fraud and taxpayer waste, the legislation takes several steps. Safeguards and business integrity standards are incorporated that will make sure criminals are not squandering taxpayer dollars. To better promote self-policing, any small business can challenge an individual program award. Further steps are taken to require on-site reviews by SBA personnel to verify eligibility for the HUBZone program prior to a contract award. This provision requires certification only once – before a second contract award. This is a common sense approach, and is sorely needed as SBA has been aware of problems in this area for at least four years.

The legislation also takes steps to standardize SBA's contracting programs. All procurement initiatives will have both prime and subcontracting goals. Each program that has non-competitive contracts as a benefit, will have the same threshold – increased and indexed for inflation – above which will require competition. This will ensure contractors, including service-disabled veterans, have access to higher dollar contracts. Together, these changes bring SBA's contracting initiatives into the 21st century, by raising the profile of veteran entrepreneurs and rooting out fraud and taxpayer waste in SBA's contracting programs. There is remarkably broad support on this legislation, ranging from the National Black Chamber of Commerce to the National Federation of Independent Business and the Associated General Contractors of America. Also supporting the legislation are the American Legion, the Veterans of Foreign Wars, and AMVETS. The United States Hispanic Chamber of Commerce, the U.S. Women's Chamber of Commerce, and the National Defense Industrial Association also support this bill.

Again, I would like to thank Ranking Member Chabot and his staff for working with us on these challenging issues. While we do not see eye to eye on all these changes, I believe that this legislation has benefited from your input and counsel along the way. I hope that we can work through our differences of this legislation as we move forward.

U.S. House of Representatives

SMALL BUSINESS COMMITTEE

Representative Steve Chabot, Republican Leader

Thursday,
October 18, 2007**Opening Statement of Ranking Member Steve Chabot***Markup of the Small Business Contracting Improvements Act and the Small Business Programs Act*

Today, we are marking up the Small Business Contracting Improvements Act and the Small Business Programs Act of 2007 – the last pieces in the reauthorization puzzle.

The Chairwoman set an aggressive schedule for the Committee to consider a complete reexamination of the Small Business Act and Small Business Investment Act of 1958. Despite this crowded schedule of hearings and markups, the Chairwoman and her staff worked diligently to operate in a bipartisan manner. Her efforts and those of her staff have resulted in 14 bills being reported out by Committee and all of them passing in the House with overwhelming margins. The work of the Committee has shown that, despite fundamental differences, we can work together to help small businesses.

Even when there is a failure to agree, the disagreements are not dripping in rancor. The Chairwoman has recognized that there will be times when our fundamental philosophies will prohibit agreement. Today is one of those occasions. I cannot support the Small Business Contracting Improvements Act of 2007. Although the bill helps America's veterans, the other provisions in the bill make it problematic and I cannot in good conscience support the bill. Instead of pitting various small business owners against each other, we should continue to work in a bipartisan manner to expand procurement opportunities for all small businesses.

The other bill that we are considering today, the Small Business Programs Act of 2007, is a highly technical bill but one of the Committee's legislative obligations.

The financing programs in the Small Business Act and Small Business Investment Act of 1958 rely on guarantees of repayment issued by the SBA. Congress must impose limits on that authority. This adopts limits on that authority such that the SBA will not have to impose programmatic restrictions as a result of unexpected demand for these programs. I want to point out that supporting these limits will have NO budgetary impact.

In addition, the Committee must provide authorization levels for the Small Business Development Center program. The allocation of funds to various centers is based in part on a comparison of funds appropriated to funds authorized. Without an authorization level, the funding formula cannot work.

The other authorization levels in the bill are simply the Committee's recommendations to the appropriators on what the authorizing Committee believes is the most appropriate allocation of resources among the various SBA programs.

Before yielding back, I again want to thank the Chairwoman for her efforts this year. It has been a packed year for the Members and staffs. As we move away from the reauthorization process, I look forward to working with the Chairwoman on improving the procurement process for small businesses, examining ways to make the tax code beneficial to small business economic growth, and reducing unnecessary regulations on small businesses.

I yield back the balance of my time.

October 18, 2007

Rep. Bruce Braley

Markup Statement: "Small Business Contracting Improvements Act of 2007"

Thank you Madame Chairwoman.

As Chairman of the Small Business Subcommittee on Contracting and Technology, I applaud your efforts on the *Small Business Contracting Improvements Act of 2007*. This act proposes important improvements to the Small Business Administration's small and minority business procurement programs.

In our first subcommittee hearing, we heard witnesses representing women-owned businesses describe how the federal government was failing to keep its commitment to them. They talked not only about how the 5% goal for women-owned businesses was not being met, but also about how the *Women's Procurement Program*, which was enacted in 2000, has yet to be implemented by the SBA. This bill will ensure the *Women's Procurement Act* is finally implemented.

I am pleased this legislation also expands procurement opportunities for small businesses owned by service-disabled veterans. Additionally, it strengthens community development through changes to the HUBZone program and makes important updates to the 8(a) program, which is one of the most important vehicles for minority business participation in federal contracting.

The SBA Office of Advocacy has found that although minorities make up 32% of the population in this country, they constitute only 18% of businesses. It is clear we must provide additional opportunities to these small minority businesses to close this gap.

By law, federal organizations are required to support small businesses. However, over the past 5 years, total government contracting has increased by 60% while small business contracts have decreased by 55%. This suggests that the SBA's procurement initiatives are not bringing work from the large business share to the small business share, but rather are forcing small businesses to compete for an increasingly smaller piece of the pie.

It is essential that small businesses have access to the over \$400 billion per year federal marketplace. *The Small Business Contracting Improvements Act* nicely complements H.R. 1873, *the Small Business Fairness in Contracting Act*, a bill I introduced in April that later passed the House on May 10th by an overwhelming bipartisan vote of 409-13. My bill will give small businesses more opportunities to compete for federal contracts, raising the small business federal contracting goal from 23% to 30%. This means that all of the programs included in the *Small Business Contracting Improvements Act* will have greater opportunities to compete for federal contracts.

Madame Chairwoman, I'm pleased that you continue to make such a strong commitment on contracting issues, sending a clear message to small business owners that they will finally receive a fair opportunity to compete for and win federal contracts.

